The challenge of Occupational Welfare in Italy: between risks and opportunities

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Introduction

This chapter aims to describe and interpret the main features and recent trends in Occupational Welfare (OW) schemes in Italy. It is based on a review of the most relevant research on this specific theme, official documents produced by the relevant Parliamentary committees and social partners, statistical and administrative data, interviews with key stakeholders, and an analysis of collective agreements. After this introduction, the chapter is divided into three sections.

Section 1 offers a broad overview of OW in Italy, within the specific institutional context characterising the Italian welfare state and its industrial relations system. Comparative data show a limited incidence of OW schemes. However, at the same time, OW seems to have grown in importance over the last few decades, supported by collective bargaining and social dialogue, although in an institutional context characterised by a mix of hidden and explicit retrenchment of the welfare state.

Section 2 focuses on supplementary pensions. These are the most important pillar of OW in Italy in terms of expenditure and assets. Since 1993 several reforms have been implemented to support the spread of supplementary pension schemes (including occupational pension schemes), both through fiscal incentives and in particular through the transfer of mandatory severance payments to employees into supplementary pensions. Nevertheless, these schemes remain limited in terms of take-up, and they seem to replicate (or even reinforce) the differences, already existing in the public pillar, in terms of coverage and quality of protection, between sectors and types of enterprises.

In Section 3, we will focus on the main OW schemes supporting workers' income in case of need in Italy, i.e. the bilateral funds for income protection in case of temporary suspension of employment. Even though these schemes are less developed than occupational pensions, over recent years they have grown in importance, becoming an important pillar of income protection for specific types of workers and economic sectors.

In the concluding section, we will reflect on the main factors that seem to explain the growing role of Occupational Welfare in Italy over the last few decades and its impact, as well as its still limited spread compared to other countries. In particular, regarding the first aspect, we will show the interplay between the increasing role of Occupational

Welfare in a context of retrenchment of statutory welfare benefits and services and the changes in social partner attitudes to OW, especially on the entrepreneurial side. Social partners have supported the development of OW because of the related advantages for both employers and employees. With regard to the second issue, we will argue that the still relatively limited spread of OW in Italy is, first and foremost, a consequence of the economic and productive structure of the country and the state budgetary pressures which, although they push for the retrenchment of public schemes, also constrain the development of Occupational Welfare in the public sector: the large presence of small and medium-sized enterprises, coupled with limited advantages (e.g. low tax benefits, strict regulation, etc.), seems to have played a crucial role. In this situation, the economic crisis seems to have stopped the development of occupational pensions but not of unemployment-related schemes.

However, the development of OW also reveals structural problems: an increasing fragmentation and dualisation in the coverage of social risks, between sectors, territorial areas, and types of employment.

In this context, Italian OW seems to be facing several challenges, not just related to its coverage, but ranging from the need for greater policymaking coordination between welfare state policies and OW to the importance of reducing fragmentation and the high number of organisations and institutions involved in OW schemes, in order to avoid the risk of dispersion of resources and inefficient provision.

1. Occupational Welfare in Italy: an overview

Italy has been traditionally considered, in comparative terms, as a country with a limited incidence of Occupational Welfare schemes (Greve 2007). The data provided by the SOCX OECD database seem to confirm this interpretation (see Table 1). In particular, the share of voluntary private social expenditure in terms of total social expenditure in 2011 in Italy was equal to 2.7%, whereas on average this percentage was 8% in the nine EU countries examined in the project (9% if considering only Western Europe).

A significant proportion of OW programmes involve sector-level bargaining by national and bilateral bodies (Leonardi 2014; Arlotti and Leonardi 2012). However, many other measures are taken at a local, decentralised bargaining level or through independent enterprise initiatives. Often, too, the national and enterprise level are mixed: on the one hand, there are companies or groups which have created their own pension and healthcare funds, alongside sector-level ones; on the other there are enterprises that, through decentralised bargaining, have improved, only for their employees, the terms of contributions to national sector funds (e.g. themselves paying the employees' share of the contribution).

Table 1 **Total voluntary private social expenditure on overall social expenditure (years 1990-2011)**

Country	1990	2000	2007	2011
Italy	2.3%	2.3%	2.6%	2.7%
Total EU-9*	7.0%	8.6%	8.0%	7.9%
Total EU-8	7.9%	9.7%	9.0%	8.9%

* Data for Poland available since 2002.
Source: own elaboration from SOCX OECD online database.

Occupational pensions are the most significant type of OW both in terms of expenditure and assets (but not in terms of coverage), followed by schemes related to healthcare provision and vocational education and training (VET), with the latter being more widespread in terms of coverage. The protection of employment and the prevention of unemployment are very fragmented and data is scarce. In recent decades, policymakers have tried to reconfigure the interplay of statutory schemes (both unemployment benefits and short-time working schemes) and occupational protection through bilateral bodies (the so called *enti bilaterali*) (AA.VV. 2003; Leonardi 2014; Bellardi and De Santis 2011). The latter are of growing importance in addressing the gaps in statutory unemployment protection (see Section 3 below)[1].

These trends are confirmed by national data sources. The Italian National Institute of Statistics (ISTAT 2012) analysed the availability of Occupational Welfare benefits and schemes for workers. Apart from occupational pensions, the two most common types of Occupational Welfare interventions by far are those related to healthcare provision and VET, with some 26% of workers saying that these were offered in their company. In fact, occupational pensions cover about one sixth of the labour force, meaning that they are less widespread than healthcare and VET schemes. Childcare services and specifically kindergartens were the least frequently provided. Mid-way between these in terms of frequency was the possibility of having regular flexible working hours for personal reasons (24% of workers).

A more specific survey on the incidence of Occupational Welfare programmes provided more information on what happens in large enterprises (with 500 workers or more). In Italy, a substantial share of large enterprises have introduced some form of welfare provision (95.2%), primarily pension and healthcare funds (very common across firms) and a set of other social provisions (usually less common) (Pavolini *et al.* 2013). Even if we exclude supplementary pensions, Occupational Welfare is present in over 80% of large Italian enterprises. About 37% of large companies offer at least four different types of welfare and another 43% between two and three. In the survey mentioned, these welfare provisions were classified in four groups:

1. Until recent years (and apart from the issue of occupational pensions), it is important to note that OW was scarcely addressed in the scientific literature and political debate (Pavolini *et al.* 2013). Data analysing the phenomenon, moreover, was mainly produced in the last few years.

- Very high-coverage programmes, essentially the supplementary pension funds present in about 88% of firms;
- High-coverage programmes, concerning supplementary health funds, offered in 60% of cases;
- Medium-coverage programmes, such as scholarships and extra-statutory parental leave, provided by about 1 of 4 companies;
- Low-coverage programmes, in the field of long-term care.

Despite the fact that OW schemes in Italy still cover a minority of workers and usually play a supplementary role to statutory schemes, providing marginal protection against social and labour market risks, it is important to note that these schemes have also experienced an increase in coverage and level of protection since the 1990s.

1.1 Occupational Welfare in the context of the Italian welfare state and industrial relations

This growing trend has taken place in a context of changing welfare and industrial relations institutions. The Italian welfare state model is a typical example of the Southern European model: a mix of universalistic and Bismarckian schemes combined with a fragmented system with clientelistic features and a family-based approach (Ascoli and Pavolini 2015). From the early 1990s, the overall reform trajectory has been marked by a mix of hidden and explicit retrenchment. This trajectory has reflected: (1) the privatisation and marketisation of provisions and (2) the decentralisation of policymaking and administration from the state to the regional and local levels. Reforms have ultimately led to worrying outcomes such as cutbacks, the emergence of new social inequalities and regional polarisation.

Together with the privatisation of expenditure, and connected to it, the reforms have not been able to cover enough new (and, sometimes, old) social risks (Taylor Gooby 2004). The provision of child and elderly care services has remained lower than in many other central and northern European countries. Active labour-market policies are weak in relative terms. Overall, the result in terms of fighting inequalities through the welfare state is limited.

To sum up, the attempts made to reform the Italian welfare state in recent decades have been able to recalibrate the overall system to only a limited extent (Agostini and Ascoli 2014; Agostini and Natali 2016). At least in relation to pensions, reforms have prevented even worse scenarios of skyrocketing expenditure, and some redistribution of unemployment protection has taken place.

However, there are a series of worrisome facts concerning the role that the welfare state will be able to play in the future. Overall, reforms and policy decisions have been concentrated more on (explicit and hidden) cuts and less on modernising the entire system. Moreover, dualisation is assuming an increasingly ominous aspect with the growth in the number of outsiders (especially among young people and women) and losers in a country with one of the highest income inequality levels in Western Europe.

As far as the industrial relations system is concerned, the Italian case is characterised by a high level of voluntarism and an absence of legislation in the private sector. Elements of stability, such as union density and collective agreement coverage, single-channel works councils, co-exist with increased challenges to the social dialogue institutions.

From the early 1990s, for almost a decade, social pacts were signed yearly on practically all major social issues, from income policies to collective bargaining procedures, from workplace representation to pensions and labour market reforms. Tripartite social dialogue was widespread also at territorial level, through so-called negotiated planning and territorial pacts. After long being known for their confrontational attitude, Italian industrial relations were now regarded as an example of the 'revival of neo-corporatism' (Crouch 1998). Social concertation in Italy has never taken on the institutional traits of what scholars defined as 'neo-corporatism', but over the years has developed in a similar way and had similar outcomes (Carrieri and Treu 2013).

The political orientation of the governments in office determined the general climate of consensus around social dialogue to a substantial extent: consensual during the first technical executives (1992-1993) and with the centre-left governments (1996-2001: 2006-2008); low and controversial with the centre-right in charge (1994; 2001-2005; 2008-2011); almost absent with the current centre-left government (2014-2016). The last social pact was signed in 2007 in the area of welfare. In the aftermath of the Great Recession and under the tight Fiscal Compact agenda, social concertation has, however, reached its nadir.

2. Occupational pensions: still a long way from high levels of coverage

As already mentioned in the previous section, supplementary pensions are the most important pillar of OW in Italy in terms of expenditure and assets. Until 1993, they were scarcely present in Italy: pension funds at that time were mostly related to specific economic branches (banking and insurance) or to individual companies and public firms (Jessoula 2009). The turning point was in 1993, when Law No.124 essentially set up the transition to a multi-pillar system, in the wake of a radical transformation of the public pillar. The growth of second and third pillars was seen by Italian policymakers as a tool to compensate retrenchment interventions in the state pension system (Natali and Stamati 2013).

Following the 1993 reform and subsequent revisions, the supplementary pillars are organised through four different types of pension institutions, of which only the first two can be defined to a certain extent as being part of the occupational (second) pillar:

— closed (collective occupational) funds (*fondi chiusi*, CPFs);
— open funds (*fondi aperti*, OPFs);
— pre-existing pension funds (*fondi pensione pre-esistenti*, PPFs);
— personal pension plans (*piani pensionistici individuali*, PIPs).

Closed funds are set up by collective bargaining between employers and trade unions and are not-for-profit institutions. They can be created at several levels: company or group of companies, industrial or economic sectors (job category), or geographical areas. Moreover, self-employed associations can also organise a closed pension fund. The regulatory framework does not allow CPFs to manage assets, meaning that they have to conclude contracts with financial institutions such as banks, insurance companies, investment firms or asset management companies.

Open funds are promoted and managed by banks, insurance and investment companies. They can offer both personal and occupational (i.e. based on collective enrolment) plans. OPFs are, then, hybrid institutions, comprising both second- and third-pillar elements depending on their mode of affiliation (i.e. individual vs. collective). Pre-existing pension funds are funds created before the 1993 reform that contimued to exist after the reform.

Personal pension plans offer an integrative approach linked to life insurance contracts, although benefits have to be paid under the same rules as those applying to pension funds. The main third pillar, they receive the same tax treatment and incentives as pension funds. As the name indicates, enrolment in these plans is individual, allowing the enrolled person to stop payment of premiums, and maybe re-start again, without being penalised.

The way in which supplementary pensions are funded is related to the type of scheme as well as to the characteristics of the enrolled person (e.g. employee or self-employed). For the self-employed, funding comes only from their own contributions, while for employees it can come from employee contributions, employer contributions or the input of the mandatory severance payment (named *Indennità di Buonuscita,* IB, and *Trattamento di Fine Rapporto*, TFR) into a supplementary pension.

Collective agreements at sectoral or enterprise level determine the minimum contribution paid both by employees and employers. The TFR is a mandatory severance payment paid to both public and private employees when the employment relationship ends (after dismissal or retirement)[2]. Since the 1993 reform, employees have the possibility to transfer the contributions paid into the TFR to funded schemes. To further foster the development of supplementary pillars through the voluntary devolution of the TFR, a later reform in 2005 (phased in in 2007), introduced the 'auto enrolment' formula for the transfer of the latter to supplementary funds: i.e. if a worker does not explicitly disagree within a six-month period, his/her TFR

2. The TFR is financed through a deferred part of wages: every year 6.91% of gross wages is retained by firms and a fixed return (1.5% plus 3/4 of the inflation rate) is guaranteed on this amount, which is paid as a lump sum when the employment relationship is terminated. Note that employees with at least 8 years of seniority in the same firm may receive 70% of the accumulated TFR for buying a house or for medical expenses. Hence, due to the different phases in which it can be paid, the average length of the TFR accumulation does not exceed 10 years. Due to its features, the TFR cannot be considered as a mere sort of mandatory occupational plan because it is intended to solve liquidity constraints in certain phases of life, rather than to correct individual myopia by an annuity stream during old age (Cozzolino *et al.* 2006).

contributions (but not the reserves already accumulated by firms) are transferred from the firm to the pension fund. However, it is only the choice to shift these flows to a fund which is irreversible, as, even after the six months, workers may still decide to shift TFR contributions to a private pension scheme[3].

Since the 2005 reform, the TFR can be shifted to any kind of fund (closed, open and PIP, i.e. even in cases of individual participation in funds). However, if the worker does not declare which fund it should be paid to, the TFR is automatically transferred to the closed fund of his occupational category[4].

To foster the spread of supplementary pension schemes, the share of the TFR that goes to a pension fund is not taxed; the contribution made by the employee is deductible from his/her income, while the contribution made by the employer determines the maximum deductible amount. There is a deductibility threshold of €5,164.57.

According to the data for 2014 (COVIP 2015; see Table 2), at the end of that year, 38 closed pension funds and 56 open pension funds were operating in Italy. Nevertheless, the take-up rate of occupational supplementary schemes is still limited: slightly fewer than 3 million individuals were members of closed and open pension funds (respectively about 1,950,000 and 1,055,000). Looking at the third pillar, personal plans based on life insurance contracts (PIPs) seem more appealing, given that currently 2.9 million individuals have subscribed to a plan. Overall private pension assets were worth the equivalent of 5.5% of GDP (OECD 2015).

What seems to be increasingly taking place is a privatisation of pensions consistent with the spread of third-pillar schemes. There appears to be some competition between second and third pillars, with personal pension schemes becoming a real alternative to occupational pensions. As for the number of funds, there were almost 500 in 2014, with around 90 of them being occupational funds. However, a small number of these (11 in general and 6 among the closed and open funds), each with at least 100,000 members, accounted for 44% of the total number of members. This concentration is particularly striking for new PIPs and, to a lesser extent, for occupational pension funds.

3. Given that no supplementary pension scheme for public sector employees is very effective, at the moment the TFR reform does not apply to this category of workers.
4. However, it should be remembered that if the worker decides not to transfer the TFR to a pension fund, the TFR remains in the enterprise (and can be used temporarily by the enterprise as a source of self-funding) if the company has fewer than 50 employees. If the company has at least 50 employees the TFR goes to a specific fund in the Italian National Security Institute (INPS). Given the difficulties faced by small enterprises in acquiring finance (through banks, etc.), the possibility of using their own workers' TFR is essential: they therefore tend to encourage their workers to leave their TFR inside the enterprise instead of opting for a pension fund (see also *infra*).

Table 2 **Main characteristics of Italian pension funds (2014)**

Type of fund	Members	Number of funds	Number of funds with at least 100,000 members	Concentration of enrolled persons in funds with at least 100,000 members ([a])
Closed funds	1,944,276	38	4	44.4%
Open funds	1,055,716	56	2	26.8%
Pre-existent PFs	650,133	323	0	0%
New PIPs ([1])	2,445,984	78	5	70.4%
Old PIPs ([2])	467,255	-	0	0%
Total	**6,539,936**	**496**	**11**	**43.9%**

a. Those enrolled in funds with at least 100,000 members as a percentage of the total number of enrolled persons.
1. PIPs created after the 2005 reform (Decree No.252).
2. PIPs created before the 2005 reform (Decree No.252) and not meeting the reform criteria.

Source: own elaboration from COVIP (2015).

The total number of individuals enrolled in supplementary schemes, including pre-existing funds, thus amounts to 6.5 million, out of a total workforce of slightly less than 23 million. In comparative terms the take-up rate is relatively limited, although not insignificant. In 2014, around a quarter of the workforce was enrolled in pension funds (25.6%) (Table 3). However, again in 2014, around 24% of those enrolled did not pay regular contributions. Therefore, the pension fund coverage rate is actually around 20% if we only consider those who regularly pay in. Moreover, if we concentrate only on occupational pension funds, the coverage rate in 2014 was around 14%.

Table 3 **Main characteristics of Italian pension funds (PFs): coverage rates**

% of workforce enrolled in occupational pension funds (open and closed funds)		13.8%
% of workforce enrolled in PFs		25.6%
% of individuals enrolled in PFs who have not paid regular contributions (out of the total number of enrolled)		24.1%
% of workforce enrolled in PFs - only those who have regularly paid contributions		19.5%
% of employees in the private sector enrolled in PFs (as a % of private-sector employees)	33.6% ([a])	(27.2%) ([b])
% of employees in the public sector enrolled in PFs (as a % of public-sector employees)	5.2% ([a])	(5.1%) ([b])
% of self-employed enrolled in PFs (as a % of self-employed)	33.5% ([a])	(20.6%) ([b])
% of employed enrolled in PFs (as a % of employed)	29.4% ([a])	(22.3%) ([b])
% of enrolled in PFs by age		
Below 35 (as a % of the total workforce below 35 years)		16%
35-44 (as a % of the total workforce aged 35-44)		24%
45-64 years (as a % of the total workforce aged 45-64)		31%
% of enrolled in PFs by gender (as a % of the total workforce by gender)		
Male		27.2%
Female		23.5%

a. Rate calculated with reference to the total number of enrolled persons.
b. Rate calculated with reference only to the number of enrolled who pay regular premiums.

Source: author's own elaboration from COVIP (2015).

As Natali and Stamati (2013) argue, the spread of occupational pension funds in Italy has replicated and even reinforced the differences, already existing in the public pillar, in terms of coverage and quality of protection, between sectors and types of enterprises (public vs. private, small vs. big). Extension of the second pillar in the pension field, therefore, has brought about a greater fragmentation of provision for old age. The (narrow) space for solidarity and social security rights and obligations tends to be defined at enterprise or sector level. The broad lines of fragmentation and dualisation promoted by the funds run along five lines: between public- and private-sector workers; between the self-employed and employees; between large and small enterprises; between different geographical areas of the country (North and South); and between typical and atypical work. These differences are largely related to the different conditions (more or less advantageous) of access to funds for workers, conditions that are mostly determined by the relative strength (in terms of productivity, unionisation, etc.) of the economic sectors concerned.

In particular (see Table 4 above), the take-up rate among private-sector employees and the self-employed is practically the same (33.6%- 33.5%) but is only 5.2% among public-sectro employees, due to the later starting-point of supplementary schemes in the public sector and other constraints (Jessoula 2011). It is however important to notice that, when excluding from the computations those individuals not having paid contributions in 2014, the enrolment rates decrease respectively to 27.2%, 22.3% and 5.1%: with the economic crisis, the self-employed were more likely not to have paid contributions than employees. Before the reform concerning the devolution of TFR (phased in in 2007) the take-up rate among private employees was much lower (around 15%); however, as yet the enrolment target set by policymakers (40% among private employees) is still far from reached. Several reasons explain why enrolment has been much lower than expected:

- TFR and pension funds are not perfect substitutes in terms of returns, risks and liquidity (Cozzolino *et al.* 2006);
- financial market performance has been very volatile in recent years;
- the choice in favour of pension funds is irreversible, whereas at any moment the worker can choose to shift TFR to funds, making it sensible to postpone the choice between the two alternative investments, especially during the crisis;
- the specific characteristics of the Italian economy, featuring a large share of micro-small and medium-size firms with low unionisation rates, which does not constitute a fertile ground for the expansion of voluntary funded pensions (Jessoula 2011).

Moreover the weak development of the private pillars, and their modest role in increasing future pensioners' prospects, seems also to be connected to a lack of confidence in supplementary schemes rather than to a low contribution rate to these schemes by participants (the sum of the TFR, employer and employee contribution amounts to about 10% of his/her wage, due to the 6.91 TFR contribution rate plus, on average in the main closed funds, a 1.5% contribution rate paid by both the employer and the employee).

In particular - probably due to both binding liquidity constraints and high discount rates of future pension benefits – the enrolment rate is very low among younger generations: only 16% of the total workforce under 35 is enrolled in a fund (see Table 3 above), whereas this percentage practically doubles among those aged 45-64.

There are also gender differences: 27.2% of the total male workforce are members of a fund, whereas incidence is lower among women (23.5%).

An analysis of the 38 closed funds' take up-rates in 2014 also provides a clearer view of the level of segmentation and fragmentation in terms of access, varying significantly depending on the sector and firm size (Table 4). Take-up rates are particularly low in agriculture, in typical 'Made in Italy' manufacturing branches (textile, food products, furniture, etc.), construction[5], retail and many other (labour-intensive) services: these are sectors where often there is strong fragmentation in the productive system with a prevalence of small and medium-size firms.

Table 4 **Coverage of occupational pension 'Closed funds' by sector, specific branch and coverage rate: a comparison over time (2000-2014) (% of total employees)**

Sector	Fund	Specific branch	2000	2014
A - Agriculture, forestry and fishing	FILCOOP	Cooperative workers in agriculture, forestry and fishing (A)	n.p.	6.1
	AGRIFONDO	Crop and animal production, hunting and related service activities (A1)	n.p.	2.6
C- Manufacturing	FONCHIM	Manufacture of chemical products (C20) and pharmaceutical products (C21)	57.4	76.0
	CONCRETO	Manufacture of other non-metallic mineral products - cement and construction material (C23)	32.3	67.4
	QUADRI E CAPI FIAT	Manufacture of motor vehicles (C29) - only white-collar workers and managers of the FIAT group	91.6	64.7
	FONCER	Manufacture of other non-metallic mineral products - ceramics (C23)	74.0	54.4
	GOMMAPLASTICA	Manufacture of rubber and plastic products (C22)	16.4	49.5
	COMETA	Manufacture of machinery (C28), motor vehicles (C29) and other transport equipment (C29)	33.5	40.9
	ALIFOND	Manufacture of food products (C10) and beverages (C11)	10.1	19.3
	BYBLOS	Manufacture of paper and paper products (C17)	4.0	16.4
	PREVIMODA	Manufacture of textiles (C13), apparel (C14) and leather and related products (C15)	5.8	14.5
	ARCO	Manufacture of wood and wood products (C16), and furniture (C31)	6.6	13.4

5. However, in 2015 an important collective agreement was signed in the construction sector: both employers' and workers' representatives have agreed to introduce an auto-enrolment system through an employer contribution for all those employees without a supplementary pension. Given that there are around 500,000 workers in this sector and that the take-up rate was less than 10% in 2014, this new collective agreement should substantially increase the overall coverage rate of supplementary funds.

Sector	Fund	Specific branch	2000	2014
	FONDAPI	Workers in small and medium size enterprises (SMEs) in different branches	2.9	7.2
	SOLIDARIETA VENETO	Workers in SMEs and large enterprises in the Veneto region	3.2	5.4
D - Electricity, gas, steam and air conditioning supply; E - Water supply	FOPEN	Energy (companies belonging to the industrial group ENEL)	74.9	95.5
	FONDENERGIA	Energy (mostly companies belonging to the industrial group ENI)	65.0	80.2
	PEGASO	Water, electricity and natural gas supply (E)	65.0	60.8
	PREVIAMBIENTE	Environmental activities (E)	32.8	19.6
F – Construction	PREVEDI	Construction (F)	n.p.	8.2
Wholesale and retail trade (G) and hotel and catеring activities (I)	PREVICOOPER	Workers in retail cooperatives (G)	3.2	42.4
	FONTE	Employees in retail (G) and accommodation and food service activities (I)	0.3	7.8
H - Transporting and storage	FONDAEREO	Air transport (H51) - pilots and workers on airplanes	n.p.	83.0
	FONDOPOSTE	Postal and courier activities (H53) - employees of the Poste group	n.p.	66.2
	ASTRI	Land transport (H49) - road haulage	n.p.	56.9
	PRIAMO	Land transport (H49) - railways branch	0.0	44.5
	EUROFER	Land transport (H49) - railways branch - group State Railways	0.0	41.2
	PREVAER	Air transport (H51) – airport workers	n.p.	36.1
	PREVILOG	Transporting and storage (H) - logistics workers	n.p.	8.5
Public Administration (O), Education (P), healthcare and social work activities (Q)	LABORFONDS	Public Administration of the Region Trentino Alto Adige (O)	24.9	46.7
	FOPADIVA	Public Administration of the Region Valle d'Aosta (O)	1.5	24.5
	ESPERO	Public employees of the education sector (P)	n.p.	8.3
	PERSEO SIRIO	Public Administration (O) and healthcare and social work activities (Q)	n.p.	1.1
	FONDOSANITA	Self-employed in healthcare activities (Q)	6.6	0.6
Information and communication (J)	TELEMACO	Telecommunications (J61) - mostly the Telecom group	32.8	40.0
	MEDIAFOND	Programming and broadcasting activities (J60) - mostly the Mediaset group	0.0	31.5
Other sectors	FONTEMP	Atypical workers	n.p.	0.8
	FUTURA	Self-employed quantity surveyors	n.p.	0.4
	COOPERLAVORO	Workers in cooperatives	33.5	19.6

Note: n.p.: not present in that year.
Source: author's own elaboration from COVIP (2001 and 2015).

Rates are high in funds for chemical and pharmaceutical workers (76%), metal workers (around 54%), plastic workers (49%), machinery and automotive workers (41%), all sectorswithe a higher incidence of larger firms (more than 250 employees). The energy and water supply sector, as well as the transport sector, also often have very high take-up rates, connected to the presence of large-size companies, often previously public and then (partially) privatised since the 1990s.

The interviews with key informants and the analysis of the minutes of the hearings of social partners at the parliamentary commissions of the Italian Chamber of Deputies (Camera dei Deputati 2014) help to better understand the reasons behind the varying importance of supplementary funds in different sectors and types of enterprises. While employee skill levels explain part of the difference, the characteristics of SMEs also play an important role: transferring the TFR to supplementary funds is particularly problematic for SMEs, given the fact that this type of firm has difficulties in accessing financing through the banking system and tends to use the TFR as a source of funding.

Moreover, in the sectors dominated by SMEs, employees tend to be in a less secure economic situation (with on average lower wages and a greater likelihood of losing their jobs) and they tend to use the TFR as an (improper) tool to deal with unexpected expenses and unemployment risks. The different role played by trade unions in these sectors – given also the different size of firms – also partly explains the differences in the enrolment rates: trade unions are less present in SMEs.

In the public sector, the low prevalence of supplementary funds is partially related to the belated creation of funds and the fact that the fiscal benefits introduced in the 2007 reform do not apply to the public sector.

In more general terms, the fact that take-up rates of supplementary pension schemes are not particularly high in Italy seems also to be related to the specific path taken by the regulatory policy framework of reference over the years. Indeed, a basic facet of Italian policy regulation of supplementary and occupational pension schemes has been the significant (undeclared) change that has taken place since the mid-2000s in the approach and role assigned to the second (and third) pillar. As highlighted by Jessoula (2011), while the reform of the early 90s introduced a fully-fledged multi-pillar pension system for workers who will retire roughly after 2030, in fact the various pillars have not at all been integrated and pension policymaking has actually been 'duplicated'. At least since the mid-2000s, state pension reforms have been designed independent of changes in supplementary funded pillars – and vice versa –, possibly leading to inconsistent developments.

In this respect the 2011 pension reform, approved by the technocratic government led by Mario Monti during the peak of the financial crisis, can be understood in terms of 'non-integration', i.e. an inconsistent policy design and a lack of coordination between the different pillars (Jessoula 2011). It increased the pension age, while at the same time indirectly making it less appropriate for workers with stable careers to invest in pension funds: by the time they retire, their first-pillar pension will be high enough (in terms of the replacement ratio). At the same time, those workers with more unstable

careers and who would profit the most from a supplementary pension will not often have enough resources to invest in pension funds. The overall result is that the 'actuarial' nature of the multi-pillar system implemented in Italy means that both the first and second pillars are based on an actuarial insurance logic. These pillars provide protection for workers and substantially replicate their position in the labour market. The result is that the better-off share of the working population receives high-level benefits, combining resources from both pillars, while outsiders receive meagre protection from both.

A further innovation in the regulation of the relationship between supplementary pensions and the severance pay scheme was introduced with Law 190 in 2014 (the 'Financial Stability' Law for 2015). Since the introduction of the law, private-sector employees can ask to receive TFR payments directly as part of their salary. This means that supplementary pensions have to compete with another alternative for the use of severance pay economic resources, potentially reducing the number of workers interested in enrolment[6].

3. Occupational unemployment-related schemes: a new occupational pillar with increasing importance

One historical weakness of the Italian social security system is its unemployment insurance arrangements. A somewhat incoherent, highly fragmented system has developed over time, where the types and levels of protection depend on a whole set of criteria: nature of the employment contract, size of the company, sector of the economy, age of the beneficiary.

Given the flaws in the social security system for the unemployed, collective bargaining has functioned as a 'stop-gap' (Leonardi 2004 and 2009). 'Bilateralism' is one of the original forms of collectively agreed welfare provisions, which has made up for some of the shortcomings in the arrangements for income protection in the event of temporary job losses. Bilateralism plays a highly significant role in this context, since it helps to manage what could be defined as a 'mixed' system.

To understand the role of Occupational Welfare in this field, it is important to look at Table 5, showing the complexity of the Italian unemployment system. The Italian system is based on two mechanisms: unemployment benefits and short-time working schemes for temporary lay-offs. Unemployment benefits have traditionally been relatively low in terms of coverage and generosity, with many sectors and types of enterprises excluded. This feature has been partly modified since the last reforms implemented during the austerity years (the Fornero Act No.92, in 2012, and the Jobs

6. However, it is important to note that during the first year of implementation of this new law, the number of workers who opted for receiving the TFR payments in their salary seems to have been very low (less than 1% of the number of dependent employees) (Di Frischia 2016). The actual impact on supplementary pensions could therefore be very limited.

Act, in 2015) increased the coverage rate of these schemes (Rizza 2015; Sacchi and Vesan 2015; Faioli and Raitano 2016).

The other main pillar of Italian passive labour market policies remains the short-time working schemes for temporary lay-offs and in particular the Wage Redundancy Fund (the *Cassa Integrazione Guadagni*, CIG). However, the CIG traditionally covers only certain sectors (manufacturing) and employees in large enterprises, excluding other sectors and types of enterprises (especially the small ones).

It is important to note that in the wake of the Great Recession, these other sectors were temporarily included within the CIG system, by means of fiscal resources injected into the CIG by the Italian State (the so-called *Cassa integrazione in deroga,* exceptional CIG scheme). Moreover, an additional measure implemented during the continuing economic crisis and aimed at supporting those sectors traditionally excluded by the CIG system was contained in Law No.2/2009, under which the benefit schemes for ordinary unemployment would now apply even in cases where the employment relationship is suspended (but not terminated) owing to a 'company crisis'. At the same time this type of benefit was subject to a 20% contribution from the Bilateral Funds, managed by employers and employees (this presumably reflects a desire to avoid uninhibited recourse to unemployment benefit by employers).

Table 5 Unemployment and temporary lay-off coverage: the role of bilateral funds

	Main schemes	Beneficiaries
Covered by the law		
1. Unemployment benefits	NASPI; ASDI	Universal since the recent reforms
2. Short-time working schemes for temporary lay-off	Wage Redundancy Fund (CIG)	Manufacturing; Large-size companies
Outside statutory coverage and covered by collective agreements (and law)		
3. Short-time working schemes for temporary lay-offs through collective agreements and the Ministerial Decree	'Compulsory' Bilateral Solidarity Funds	Employees in banks, insurance, transport and postal services
4. Short-time working schemes for temporary lay-offs through collective agreements only	'Alternative' Bilateral Solidarity Funds 'Residual'	Employees in craft/artisan industries, commerce, tourism and the rest of the tertiary sector

Source: authors' own elaboration.

The Bilateral Funds have played a crucial role as Occupational Welfare schemes in sectors traditionally excluded from the CIG system. From this point of view, since 1996, the law has promoted the establishment of funds to finance experiments with 'income and employment support measures' in sectors and companies not eligible for the system of social cushioning measures (Act. No.662). The banking sector, the postal services and transport (Alitalia included) were the sectors which benefited most from that provision. At the end of the 1990s, regional joint 'income support' funds were set up by craft/artisan firms.

Through the last two above-mentioned reforms of the labour market (the 2012 Fornero Act No.92, and the 2015 Jobs Act), the bilateral 'solidarity funds' have become pillars of the social cushioning mechanisms which apply in cases of temporary crisis and restructuring (Leonardi 2014; Italialavoro 2013; Faioli and Raitano 2016). Following the existing system for banking and transport, these reforms provide for the following:

— bilateral 'solidarity funds' must be introduced in all sectors and branches excluded by legislation from the wage redundancy funds (covering companies with over 15 employees, while since 2016 the threshold has been lowered to 5 employees), for the purpose of supporting employee income in the event of temporary suspension due to a crisis and labour cuts. Moreover, these funds have to be created through sector or multi-sector agreements, are self-financed and are established within the National Institute for Social Protection (INPS);
— 'alternative' funds are allowed in those branches where they are already established, as in the craft sectors;
— to foster negotiations between social partners and to meet the required agreements, a deadline was set, by which all companies without an agreement would have been obliged to finance an inter-sectoral 'residual' fund, financed and managed with criteria established by administrative directives. Since the response of sectoral social partners remained quite ineffective, in 2014 all sectors and companies began to pay into the 'residual fund'.

In more general terms, the bilateral funds have a hybrid nature, jointly self-regulated and self-financed, mostly governed by private law, though often robustly supported and encouraged by legislation. While originally autonomous and contractual, as we have seen above, legislation supports them quite strongly, setting rules and checking financing and management.

Regarding the financing of this system, social partners can agree on the level of contributions to finance their own fund. Unlike the CIG, which is entirely financed by employers, the Bilateral Solidarity Funds are financed 2/3 by enterprises and 1/3 by workers. It is important to note that, unlike supplementary pension schemes, there are no fiscal incentives. Under legislative decree No.148/2015 implementing part of the 'Jobs Act' (adopted by the national government in 2015), the contribution cannot be below 0.45% in firms with less than 15 employees, and 0.65% in firms over this threshold. Under the previous Fornero Act No.92/2012 which covered only enterprises with at least 15 workers, the fixed rate was lower and equal to 0.20% (minimum) for the Funds already operating, and 0.50% for the 'residual fund'.

Bilateral funds operate in various sectors, and are quite highly developed in branches with a very high rate of SMEs, seasonal or fragmented work, where employment has been traditionally unstable and where trade unions are weak at the workplace level (construction, crafts, agriculture, retailing, tourism, agency work).

The construction and craft/artisan sectors are sectors where bilateral agencies are more widespread and more long-standing. In the case of construction, the 'bilateral funds' system (the so called *Casse Edili*) dates back to the years between the two world wars.

In the service sector (including retail), there are many bilateral funds. Coverage in the service sector started with the national sectoral agreements of the mid-1990s, 2004 and 2008. Due to the wide fragmentation of branches and employer associations, the number of bilateral funds in the whole tertiary sector is high: in 2014 there were 236 funds, 42 at national and 194 at local level.

In the different manufacturing sectors, bilateral funds are less widespread. This is because, at least in larger-size companies (with at least 15 workers), other shock absorbtion systems cover a good part of workers' needs. However, small manufacturing enterprises are covered through the craft bilateral funds.

Despite their ambition to reach 'universal' coverage partly through the new tools concerning temporary suspension of employment, the bilateral funds do not achieve the same degree and scope of protection as the statutory wage funds. As already underlined, unlike the latter, bilateral funds require workers to contribute to their financing measures. Furthermore, the duration of benefits and their replacement rate are lower than in companies covered by the stronger legal protection. Unemployment support depends on whether sufficient resources happen to have accumulated within the funds, whereas their level should reflect the amount of company contributions, decided during negotiations among social partners. Such contributions, to offer an example, are very low in the case of the craft sectors. It is hard to imagine, in the event of a widespread crisis, that provision will be adequate in terms of coverage and generosity.

Last but not least, should the solidarity funds leave workers in very small enterprises with less than five employees without coverage from 2016 on, the law will have partially failed to meet its promises and expectations. The main weakness of the current unemployment system in Italy has traditionally been the unfair dualism and polarisation between the strong sectors covered by the law on wage redundancy funds, and SMEs excluded from such protection.

Moreover, it is important to note that in a context characterised by persistent austerity and the related retrenchment of social expenditure, pressure is mounting from all sides to use bilateralism and Occupational Welfare as an affordable (exit) strategy. Employers have more power over workers' conditions within the employment relationship. Workers receive more guarantees in terms of unemployment benefits, employability and services in a context in which the public welfare state is constantly under pressure. Unions would retain their influence, recognition and financial resources. 'Servicing' through bilateral bodies can be a key resource to recruit members for trade unions (as the Ghent system demonstrates). Nevertheless, the role and importance of bilateralism is an issue which creates disputes among the trade unions. In particular, some trade union movements argue that a new strategy based on bilateralism and servicing can help to address the crisis of contemporary unionism and the decline in union density, enlarging the sphere of collective bargaining beyond traditional negotiations on wages and working hours and conditions (CISL 2015).

Others stress the risks for unions if bilateralism should become the new core business of future unionism, changing the nature of unionism (less and less active in the field of employment relationships and working conditions, and more and more active in the field of external labour market and finance management): the process could end up with the transformation of unions into mere bureaucratic organisations. Moreover, there is a potential risk of fragmentation of rights and a lack of universalism emanating from the widespread use of bilateral funds in a context in which the public social protection system is increasingly subject to retrenchment pressure (CGIL 2015)[7].

Conclusion

OW in Italy is a traditionally underdeveloped but growing phenomenon. Coverage has increased since the 1990s, and although its incidence in terms of spending is still rather low in comparison to social protection expenditure (see Section 1), it will definitely increase in the coming years. In many respects, OW is still a young set of institutions. Most individuals enrolled in supplementary pension funds are still working, and the bilateral funds (regulated by collective agreements and managed by employer and employee representatives) have been only recently designed as an important pillar of income protection in case of temporary suspension of employment for specific types of workers and economic sectors.

With the advent of the economic crisis, OW (in particular in the form of occupational supplementary pension schemes) experienced a halt in growth. However, in more general terms, we think that despite the persistent economic difficulties, OW will continue to grow in Italy over the next years, partly because implementation of these schemes seems to be characterised by a sort of 'win-win' strategy among the social partners involved.

Indeed, on the one hand, enterprises are often interested in OW programmes, mainly for two reasons (Pavolini *et al.* 2013). Firstly, they use them to propose a trade-off between wage moderation and an increasing supply of welfare services. Given the productivity difficulties of many Italian firms, in particular those facing the stiffest international competition, wage moderation seems to be one possible way to restore competitiveness. The provision of OW offers two fiscal and labour-cost related advantages: to any net salary increase, the firm has to add indirect salary costs, whereas this is less the case with the provision of OW benefits; second, welfare benefits are often sustained through fiscal incentives (and, regarding this aspect, it is important to note that in the last budget law the national government abolished taxation on productivity bonuses when these were provided as welfare benefits and not salary) (Mallone 2016). Secondly, OW programmes are connected to an attempt to

7 In relation to this concern, the CGIL National Secretary advised all sectors (except the craft/artisan sector) in 2013 not to establish separate 'solidarity funds' (CGIL 2013) but to merge everything into the 'residual fund' in order to 'avoid fragmentation and to push toward universalism' (*ibid.*: 2).

improve the relationship between enterprise and workers, strengthening their reciprocal collaboration and rewarding worker loyalty.

On the other hand, in many economic sectors and enterprises, trade unions have also been active in promoting OW. Even though OW strategy and bilateralism are controversial issues (see Section 3 above) among the main Italian trade unions (*Confederazione Generale Italiana del Lavoro*, CGIL and *Confederazione Italiana Sindacati Lavoratori* CISL), their aims have usually been to offer broader welfare coverage to their workers (and families) and to improve their image among employees thanks to their active role in promoting this type of benefits.

As already said at the beginning of this section, despite its growing importance and the support provided by the social partners, OW still plays a residual role in Italy in the coverage of social risks. This limited success should be seen in the context of the structural features of the Italian economy, namely the large presence of SMEs, and the limited advantages (e.g. low tax benefits, strict regulation, etc.) of these schemes for both employers and workers.

At the same time, although still underdeveloped, the growing importance of OW schemes over the last few decades seems to support the reproduction and deepening of certain structural divisions deeply embedded in Italian society (Agostini and Ascoli 2014). For instance, as shown in Section 2, occupational pension funds have reinforced the fragmentation (dualisation) of pension rights already existing in the first pillar. This fragmentation exists between: public and private sector workers, the self-employed and employees, large and small enterprises, the Northern and Southern parts of the country, and typical and atypical work.

Within this general context, Italian OW seems to be facing three main challenges. First, greater policymaking coordination between welfare state policies and OW is necessary to ensure the efficacy of the system and promote the balanced development of OW across sectors, types of workers and regions. The chaotic growth of recent years has been marked by increased fragmentation of social and labour rights, a limited effect of tax benefits (the latter having a non-negligible impact on the public budget), and the risk of more intense growth of individual market-based protection.

While OW programmes offer new welfare coverage to a relatively large share of the employed, at the same time there are clear signs of an increasing inequality between those who work (on open-ended contracts) and thus benefit from OW provision, and the unemployed or those on temporary contracts. At the same time, the spread of OW programmes differs greatly among workers belonging to different economic sectors and with different levels of qualification. For example, in the banking sector OW provision has become very common and relatively generous, whereas, on the opposite side, the textile-clothing-footwear sector has few and not particularly generous OW programmes.

Second, industrial relations and collective bargaining at national level have played a pivotal role in the development of OW in Italy. Trade unions and employers share similar views on the reasons for expanding Occupational Welfare – namely to reach a

trade-off between wage-moderation and the supply of welfare services – although the most left-wing trade unions remain rather critical of OW's role in fragmenting and dualising workers' rights. But tensions between the social players, as well as their weakness, together with the specific traits of the Italian political economy, have contributed to the limited spread of occupational schemes.

Third, the governance of OW is one of the most problematic issues in determining the correct functioning of the system. No authority is in charge of monitoring or regulating OW at a general level, the only partial exception being the *Commissione Vigilanza sui Fondi Pensione* (COVIP) with regard to pension funds. Moreover, fragmentation and the high number of organisations and institutions bring a significant risk that resources will be spread too thinly, and that provision will be inefficient; problems which ultimately need to be tackled through mergers in order to foster economies of scale.

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